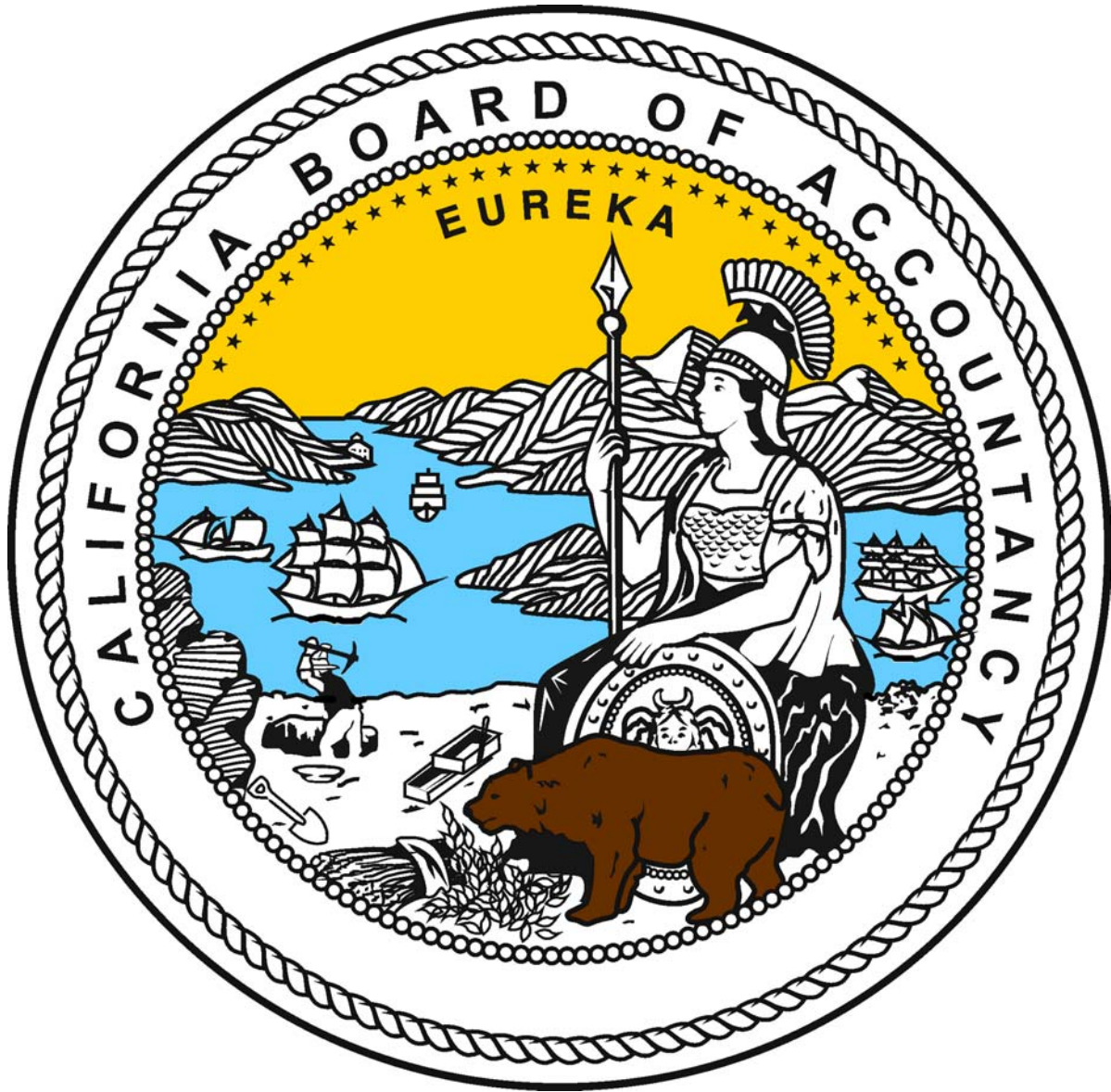


# CALIFORNIA PRACTICE PRIVILEGE HANDBOOK



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# **CALIFORNIA BOARD OF ACCOUNTANCY**

## **Mission**

The mission of the California Board of Accountancy (Board) is to protect the public welfare, particularly consumers, by ensuring that only qualified persons and firms are licensed to practice public accountancy and that appropriate standards of competency and practice, including ethics, objectivity, and independence are established and enforced.

The Board:

- Examines applicants and sets educational and experience requirements for California Certified Public Accountants (CPAs) and Public Accountants (PAs).
- Licenses the practice of public accountancy and may deny licensure, revoke, suspend, or refuse to renew any license, permit, or certificate for violation of the California Business and Professions Code or California Code of Regulations.
- By regulation, prescribes, amends, or repeals the rules of professional conduct appropriate to the establishment and maintenance of a high standard of integrity and competency in the profession.

## **Authority**

The Board derives its authority from Business and Professions Code, Division 3, Chapter 1, Article 1 through Article 10 (California Accountancy Act) and the California Code of Regulations, Title 16, Division 1, Article 1 through Article 13 (California Accountancy Regulations). A copy of the California Accountancy Act Code and California Accountancy Regulations is available on the Board's Web site at [www.dca.ca.gov](http://www.dca.ca.gov).

## CALIFORNIA PRACTICE PRIVILEGE INFORMATION

### Requirements

Effective January 1, 2006, qualified out-of-state CPAs may practice in California as long as the out-of-state CPA does not have his or her principal place of business in California. These practitioners are required to notify the Board that they intend to practice public accountancy in California, swear under penalty of perjury that they are qualified to do so, and pay the required fee.

The Notification and Agreement to Conditions for the Privilege to Practice Public Accounting is accessible through the Board's Web site for an automated on-line submission and is downloadable in PDF format. Practitioners also may contact the Board's Practice Privilege Unit to request this form via U.S. postal service.

Unless you report a disqualifying condition, no other documentation is required to be submitted with the California Practice Privilege Notification Form. Notification Forms, however, are subject to audits at any time. Any misrepresentation or omission in the Notification Form will be cause for fines, administrative suspension, disqualification, and even revocation of the California Practice Privilege.

To be eligible for a California Practice Privilege:

1. Your principal place of business cannot be located in California.
2. You must hold a valid, current license, certificate, or permit to practice public accountancy from another state and meet one of the following requirements:
  - The valid and active license, certificate, or permit must be from a state deemed by the Board as substantially equivalent and the requirements under which the license, certificate, or permit was issued must be deemed by the Board as substantially equivalent to the requirements under Section 5093 California Business and Professions Code Division 3, Chapter 1 (California Accountancy Act); **or**
  - Possess individual education, examination, and experience qualifications that have been determined by the Board to be substantially equivalent to the qualifications under Section 5093 of the California Accountancy Act. In accordance with Title 16, Division 1, Article 4, Section 27 (b) of the California Code of Regulations (California Accountancy Regulations), the Board will accept individual qualification evaluations of substantial equivalency completed by the National Association of State Boards of Accountancy's (NASBA) CredentialNet. Information regarding CredentialNet can be found on NASBA's Web site at [www.nasba.org](http://www.nasba.org); **or**
  - Have continually practiced public accountancy as a CPA under a current, valid license issued by any state for four of the last ten years.

## **Substantially Equivalent States**

Current as of September 30, 2005

The following 46 jurisdictions have CPA licensure requirements that are deemed by the Board to be substantially equivalent to California's licensure requirements:

Alabama*	Maine	Oklahoma
Alaska	Maryland	Oregon
Arizona	Massachusetts	Pennsylvania
Arkansas	Michigan	Rhode Island
Connecticut	Minnesota	South Carolina
District of Columbia*	Mississippi	South Dakota*
Georgia	Missouri*	Tennessee
Guam	Montana*	Texas
Hawaii	Nebraska*	Utah
Idaho	Nevada	Virginia
Illinois*	New Jersey	Washington*
Indiana	New Mexico	West Virginia*
Iowa*	New York	Wisconsin
Kansas*	North Carolina	Wyoming*
Kentucky	North Dakota	
Louisiana*	Ohio	

\* Permit Holders

## **Safe Harbor Provision**

Effective January 1, 2006, notice to the Board is required so that an out-of-state CPA may commence practicing of public accountancy under a California Practice Privilege. For out-of-state CPAs with no disqualifying conditions during the period of January 1, 2006 through December 31, 2007, there will be no penalty solely because of late notification, provided notice is given within five business days of commencing practice. If the Notification Form is submitted after practice begins, even if it is submitted within the five-day safe harbor period, the CPA will be required to provide a reason the notice was submitted after the date practice began in California. A qualified individual who properly submits the Notification Form to the Board within the five-day period shall be deemed to have a California Practice Privilege from the first day of practice in California, unless the individual fails to timely remit the required fee. The Board may issue a fine of \$250 to \$5,000 for notifying the Board more than five business days after commencing practice. In assessing the fine amount, the Board shall consider both aggravating and/or mitigating circumstances.

## **Notification Form**

To obtain a California Practice Privilege, an individual meeting all applicable requirements shall notify the Board by submitting the fully completed Notification Form. No other means of notification is acceptable for a California Practice Privilege. An electronic version of the Notification Form is available for on-line submission. Notification Forms also can be downloaded from the Board's Web site on the Forms/Publications Page. As alternative, you may request the form from the Board's Practice Privilege Unit at [pracprivinfo@cba.ca.gov](mailto:pracprivinfo@cba.ca.gov), or by telephone at (916) 561-1704. The completed paper version of the Notification Form should be mailed to:

California Board of Accountancy  
Practice Privilege Unit  
2000 Evergreen Street, Suite 250  
Sacramento, California 95815-3832

The completed Notification Form also can be sent by facsimile to (916) 263-3672.

## **Notification Fee**

The fee for submission of a California Practice Privilege Notification is \$100. The Board must receive the \$100 Notification Fee postmarked within 30 days of the date the Notification Form is submitted to the Board. Your California Practice Privilege may be administratively suspended if the fee is not received within 30 days and you may be fined.

An individual may be subject to a fine of \$100 to \$500 for the first failure to pay the California Practice Privilege Notification Fee within 30 days of the commencement of California Practice Privilege, including attempting to pay with a check that subsequently is dishonored. An individual may be subject to a fine of \$250 to \$1000 for any subsequent failure to pay the fee associated with a California Practice Privilege Notification Fee within 30 days of submitting the notification, including attempting to pay with a check that is subsequently dishonored.

The Notification Fee is nonrefundable and nontransferable.

## **Remittance Form**

If you electronically submit a completed Notification Form, a California Practice Privilege Remittance Form will be generated. Print and complete the Remittance Form in accordance with the instructions. The \$100 Notification Fee must accompany the completed Remittance Form. If you do not have a printer or are unable to print the Remittance Form, please contact the Board's Practice Privilege Unit by e-mail at [pracprivinfo@cba.ca.gov](mailto:pracprivinfo@cba.ca.gov) or by telephoning (916) 561-1704 and a Remittance Form will be mailed to you.

If you choose to submit a paper version of the Notification Form, the Remittance Form will be included with the Notification Form. If you choose to mail the Remittance Form

separately from your Notification Form, please complete the required information exactly as you provided on your Notification Form, so that your Notification Fee can be properly connected with your Notification Form.

Send the completed Remittance Form with the Notification Fee to:

California Board of Accountancy  
Practice Privilege Unit  
2000 Evergreen Street, Suite 250  
Sacramento, California 95815-3832

### **Term of a California Practice Privilege**

A California Practice Privilege commences on the date the Notification Form is submitted electronically to the Board, on the postmark date of a Notification Form submitted to the Board by mail, or on the date a Notification Form is submitted to the Board via facsimile. Practice rights, however, may begin on a date after the submission date if prior Board approval is required. When prior Board approval is required, your practice rights commence on the date the Practice Privilege is approved by the Board. A California Practice Privilege expires one year from the date of submission of the Notification Form.

A California Practice Privilege, including one that is or has been on administrative suspension pursuant to Section 5096.4 of the California Accountancy Act, expires one year from the date the Notification Form is submitted to the Board or on the date a subsequent Notification Form is submitted to the Board, whichever occurs first.

A California Practice Privilege held by an applicant for a California CPA license expires one year from the date of submission of the Notification Form or on the date the California CPA license is issued by the Board, whichever occurs first.

A California Practice Privilege holder will be issued an expiration reminder notice 90 days prior to the expiration date of an individual's California Practice Privilege. In the event that the notice is not received, it is the California Practice Privilege holder's responsibility to submit a fully completed new Notification Form to the Board if he or she wishes to continue practice public under a California Practice Privilege.

### **California CPA Licensure Applicant**

An individual who has a pending application for CPA licensure in California may practice in California under a California Practice Privilege. He or she would not be disqualified for a California Practice Privilege during the period the application is pending even though he or she maintained a principal place of business in this state. A California Practice Privilege will expire and is no longer valid once the California CPA license is issued.

If an application for CPA licensure is denied or deferred, your California Practice Privilege Notification Form may be reviewed to determine whether you still qualify for a California Practice Privilege.

### **Continuing Education Requirements**

In order to qualify for a California Practice Privilege, an individual must meet the continuing education requirements of the state of licensure identified on the Notification Form. Paragraph (2) of subdivision (e) of Section 5096 of the California Accountancy Act indicates that an individual is deemed, for purposes of the California Practice Privilege provisions, to have met the ethics examination and continuing education requirements of this state when the individual has met the examination and continuing education requirements of the state which the California Practice Privilege is based.

### **Attest Reports**

To sign an attest report, California Practice Privilege holders must have completed a minimum of 500 hours of experience in attest services as described in Section 5095 of the California Accountancy Act and Section 12.5 of Title 16 of the California Accountancy Regulations.

An individual is not required to provide any supporting documentation at the time the California Practice Privilege Notification Form is submitted. However, the Board has the authority to request documentation from the individual and verify any of the information that he or she has provided on the Notification Form, including whether he or she has fulfilled the California attest experience requirement.

### **Disqualifying Conditions**

Pursuant to Section 32 of the California Accountancy Regulations, no individual may practice under a California Practice Privilege without prior approval of the Board, if the individual has, or acquires at any time during the term of his or her California Practice Privilege, any of the following disqualifying conditions:

1. The individual is convicted of a crime other than a minor traffic violation.
2. The individual has had a license or other authority to practice a profession issued by a state, federal, or local agency or court or the Public Company Accounting Oversight Board (PCAOB) revoked, suspended, denied, surrendered, put on probationary status, or otherwise sanctioned or limited, except for the following occurrences:
  - (a) An action by a state board of accountancy, in which the only sanction was a requirement that the individual complete specified continuing education courses.
  - (b) The revocation of a license in Item 3 of the Qualification Requirements on the Notification Form is solely because of failure to complete continuing education or failure to renew.



3. The individual is the subject of an investigation, inquiry, or proceeding by or before a state, federal, or local court or agency (including the PCAOB) involving his or her professional conduct.
4. The individual held a California Practice Privilege that expired while under administrative suspension or with an unpaid fine.
5. The individual has failed to respond to the satisfaction of the Board to a request for information from the Board regarding a matter related to a current or prior California Practice Privilege.
6. The individual has been notified by the Board that prior Board approval is required before practice under a new California Practice Privilege may commence.
7. The individual has had a judgment or arbitration award in an amount greater than \$30,000 entered against him or her in a civil matter involving the professional conduct of the said individual.

An individual must report to the Board any of the above disqualifying conditions. The Board will review the reported information and notify the individual in writing of its decision.

A California Practice Privilege holder who acquires a disqualifying condition during the term of his or her California Practice Privilege shall cease practicing immediately and shall notify the Board in writing of the disqualifying condition within 30 days of its occurrence. He or she shall not begin practicing again without prior Board approval. Failure to comply with this obligation could result in the issuance of a maximum fine of \$5,000, in addition to any other applicable sanction deemed appropriate by the Board.

### **Denial of a California Practice Privilege**

Section 5096.2(a) states a California Practice Privilege can be denied for the following reasons:

- Failure to comply with the California Practice Privilege statutes and regulations (Section 5096-5096.11 of the California Accountancy Act or California Accountancy Regulations Sections 27-35.1).
- For any act that if committed by an applicant for licensure would be grounds for denial of a license under Section 480 of the California Business and Professions Code.
- For any act committed by a licensee that would be grounds for discipline under Section 5100 of the California Accountancy Act.
- For any act committed outside of this state that would be a violation if committed within this state.

Section 5096.2(e) of the California Accountancy Act indicates, an individual who has been denied a California Practice Privilege may submit a new Notification Form for a

new California Practice Privilege not less than one year after the effective date of the notice or decision denying the California Practice Privilege, unless a longer time period, not to exceed three years, is specified in the notice or decision denying the California Practice Privilege.

### **Administrative Suspension**

The right to practice in this state under a California Practice Privilege may be administratively suspended at any time by an order issued by the Board or its Executive Officer. No prior notice or hearing is required. The purpose of an administrative suspension is to conduct a disciplinary investigation, proceeding, or inquiry concerning the representations made in the notice, the individual's competence or qualifications to practice under a California Practice Privilege, failure to timely respond to a Board inquiry or request for information or documents, and failure to timely pay the California Practice Privilege Notification Fee.

### **Board Requests**

You must respond to any Board inquiry or request for information or documents, and provide to the Board the identified information and documents in a timely manner. In addition to any other applicable sanctions, failure to comply with the obligation to respond to a Board inquiry pursuant to Section 5096(e)(5) of the California Accountancy Act could result in one or more of the following:

1. Issuance of a fine of \$250 to \$5,000.
2. An administrative suspension of a California Practice Privilege.

### **DISCIPLINARY INFORMATION**

An out-of-state licensee who practices public accountancy in California without obtaining a California CPA License or a California Practice Privilege is in violation of the law and may be subject to prosecution.

A California Practice Privilege is subject to revocation, suspension, fines or other disciplinary sanctions for any conduct that would be grounds for discipline against a licensee of the Board or for any conduct in violation of the statutes and regulations governing the California Practice Privilege.

A California Practice Privilege is subject to discipline during any time period in which it is valid, under administrative suspension, or expired.

As authorized by section 5096.3(c) of the California Accountancy Act, the Board may seek to recover its costs for any disciplinary proceeding taken against a California Practice Privilege holder.

An individual whose California Practice Privilege has been revoked, may apply for a new California Practice Privilege not less than one year after the effective date of the

Board's decision revoking the individual's California Practice Privilege, unless a longer time period, not to exceed three years, is specified in the Board's decision revoking the California Practice Privilege.

## **MISCELLANEOUS INFORMATION**

### **Public Information**

Pursuant to the California Public Records Act (California Government Code Sections 6250-6277), the Board discloses the following information, upon request and on its Web site at [www.dca.ca.gov/cba](http://www.dca.ca.gov/cba), regarding a California Practice Privilege holder:

1. Name.
2. Address of record.
3. California Practice Privilege ID number.
4. California Practice Privilege status.
5. State of licensure.
6. California Practice Privilege effective date.
7. California Practice Privilege expiration date.
8. Enforcement action.
9. Whether attest authority was requested.

Certain enforcement information will also be available, including: names of California Practice Privilege holders for which accusations have been filed and are pending possible enforcement action; summaries of decisions; revoked California Practice Privileges; California Practice Privileges placed on Administrative Suspension; and summaries for all other enforcement actions.

### **Address of Record/Principal Place of Business**

Your principal place of business address will be used as your address of record unless otherwise indicated. The Board will send all official correspondence to your address of record. Your address of record may be your principal place of business, residence, post office box, or mail drop and can be a California address.

You may use a post office box or mail drop as your address of record. However, you must provide the street address of your principle place of business or residence under "other address" on the Address Change Form. This "other address" will not be public information.

Your name and address of record is **public information** pursuant to the California Public Records Act. Your name, address of record, and California Practice Privilege status, as well as formal disciplinary actions, may be accessed at our Web site through the Board's California Practice Privilege Web Lookup feature.

## **CHANGES TO THE NOTIFICATION FORM**

Section 33 of the California Accountancy Regulations requires each California Practice Privilege holder to report to the Board any change in the information reported on the Notification Form within 30 days of the change. Notification to the Board can be done through the on-line client account or in writing.

You may submit changes to the information reported on your California Practice Privilege Notification Form electronically by logging on to your client account on the Board's Web site and updating your Notification Form online. If you choose this method, please make sure that you select the "Update Notice" option. Do not select "Create New Notice" option if you are submitting changes to the information reported on your Notification Form. You may also submit changes to the information reported on the Notification Form by mail or facsimile at (916) 263-3672.

Failure to report changes in the information reported on the Notification Form may result in a fine of \$250 to \$5,000.

### **Address Change**

Your address of record is public information and will be posted on the Board's Web Practice Privilege Lookup. To notify the Board of an address change, please visit the Board's Web site at [www.dca.ca.gov/cba](http://www.dca.ca.gov/cba). Log in to your client account and update your contact information online. You may also submit address changes to the Board by mail or facsimile at (916) 263-3672.

### **Name Change**

You must submit a name change to the Board in writing. Please see the name change form under Forms and Publications on the Board's Web site.

### **Changes to State of Licensure Information**

If the CPA license identified in the Notification Form used as the basis for qualifying for a California Practice Privilege is renewed during the term of an individual's California Practice Privilege, it must be reported to the Board through your online client account or in writing within 30 days of the renewal date. An individual may be subject to a fine of \$250 to \$5,000 for failure to comply with this requirement.

### **Board Web Site**

The Board's Web site is located at [www.dca.ca.gov/cba](http://www.dca.ca.gov/cba). Important information for CPA/PA licensees, CPA exam applicants, California Practice Privilege holders, and consumers is posted on this site. The Web site is a valuable source of current information for users. It also contains information regarding Board meetings, accepting commissions, license renewal, California Practice Privilege, continuing education, forms, and enforcement actions. Additionally, the site provides the current California Accountancy Act, California Accountancy Regulations, and *UPDATE* publications.

## Forms

The following forms are available on the Forms/Publication Page of the Board's Web site:

- *California Practice Privilege Notification Form & Instructions.*
- *California Practice Privilege Remittance Form.*

You may also request the above forms from the Board's Practice Privilege Unit at [pracprivinfo@cba.ca.gov](mailto:pracprivinfo@cba.ca.gov) or telephone (916) 561-1704.

## FREQUENTLY ASKED QUESTIONS

### **General Inquiries**

***Q: When will the California Practice Privilege provisions go into effect?***

A: The California Practice Privilege provisions will become effective on January 1, 2006.

***Q: Where can I find the statutes and regulations regarding California Practice Privilege?***

A: Sections 5096 through 5096.11 of the California Business and Professions Code (California Accountancy Act) and Sections 26 through 35.1 of the California Code of Regulations, Title 16, Division 1, Article 4 will be available on the Board's Web site at [www.dca.ca.gov/cba](http://www.dca.ca.gov/cba) or from the Practice Privilege Unit at (916) 561-1704.

***Q: Where can I locate the California Practice Privilege Notification Form?***

A: The California Practice Privilege Notification Form can be completed and submitted electronically on the Board's Web site at [www.dca.ca.gov/cba](http://www.dca.ca.gov/cba). The form can also be downloaded from our Forms/Publications Page or may be requested from the Board's Practice Privilege Unit at (916) 561-1704. You will be unable to access, request or submit the Notification Form prior to January 1, 2006.

***Q: How do I submit the Notification Form?***

A: You have the option of submitting the Notification Form online or by downloading the form from the Web site and submitting it by mail or via facsimile. A California Practice Privilege expires one year from the submission date of the Notification Form. The submission date for a form sent through the mail will be the postmark date. The submission date will be the actual date of transmission for forms that are signed electronically and submitted on-line or forms submitted via facsimile. The fee required for a California Practice Privilege is \$100 and must be received by the Board within 30 days of the Notification Form submission date.

***Q: What requirements must I fulfill for a practice privilege in California?***

A: To be eligible for a California Practice Privilege:

1. Your principal place of business cannot be located in California.
2. You must hold a valid, current license, certificate, or permit to practice public accountancy from another state and meet one of the following requirements:
  - The valid and active license, certificate, or permit must be from a state deemed by the Board as substantially equivalent and the requirements under which the license, certificate, or permit was issued must be deemed by the Board to be substantially

equivalent to the requirements under Section 5093 of the California Accountancy Act, **or**

- Possess individual education, examination, and experience qualifications that have been determined by the Board to be substantially equivalent to the qualifications under Section 5093 California Accountancy Act. Per Section 27(b) of the California Accountancy Regulations, the Board will accept individual qualification evaluations of substantial equivalency completed by the National Association of State Boards of Accountancy's (NASBA) CredentialNet. Information regarding CredentialNet can be found on NASBA's Web site at [www.nasba.org](http://www.nasba.org), **or**
  - Have continually practiced public accountancy as a CPA under a current, valid license issued by any state for four of the last ten years.
3. If you have any of the disqualifying conditions identified on the California Practice Privilege Notification Form, you may not practice public accountancy in California until you receive Board approval.

***Q: When will my California Practice Privilege expire?***

- A: Your California Practice Privilege term will expire one year from the submission date of your Notification Form. The submission date for a Notification Form sent through the mail will be the postmark date. The submission date is the actual date of transmission for Notification Forms submitted on-line or via facsimile. If you wish to continue practicing public accountancy in California subsequent to the expiration date, you must submit a new Notification Form. Submission of a new Notification Form during the term of an existing California Practice Privilege will automatically terminate the current California Practice Privilege, and a new California Practice Privilege with a one-year term will commence.

***Q: I'm a CPA but am not licensed in a state that is deemed substantially equivalent by the California Board of Accountancy. What options do I have to qualify for California Practice Privilege?***

1. Have continually practiced public accountancy as a CPA under a current, valid license issued by any state for four of the last ten years, **or**
2. Submit documents reflecting successful passage of the CPA examination, college transcripts and documents reflecting completion of experience to the National Association of State Boards of Accountancy's (NASBA) CredentialNet. CredentialNet will evaluate your licensure information and determine equivalency. Information regarding CredentialNet can be found on NASBA's Web site at [www.nasba.org](http://www.nasba.org).

If deemed substantially equivalent, a file number will be given to you. At the time you submit your Notification Form to the Board, you will be required to provide your NASBA CredentialNet file number.

***Q: I'm an out-of-state CPA who is applying for licensure in California. Do I have practice rights in California while my application is being processed?***

A: No, to have practice rights while the Board is processing your California licensure application, you need to submit the California Practice Privilege Notification Form as well as the \$100 Notification Fee. The Board must receive the Notification Fee within 30 days of your Notification Form submission. Your California Practice Privilege will be terminated at the time your California CPA license is issued by the Board.

***Q: If my California CPA license application is denied or deferred, does it affect my California Practice Privilege?***

A: It may affect your practice privilege if your application for CPA licensure is denied or deferred. A review of the California Practice Privilege Notification Form will be performed and determination of whether you still qualify for a California Practice Privilege will be made on a case-by-case basis.

***Q: As an out-of-state CPA, is there a limit to the number of times I can submit the California Practice Privilege Notification Form as opposed to applying for California licensure?***

A: No, the statute and regulations pertaining to a California Practice Privilege do not identify a limitation to the number of times you can submit the Notification Form for a practice privilege.

***Q: Can I open a California office and practice full or part-time there under a California Practice Privilege?***

A: No. Pursuant to Section 5096(e)(3) of the California Accountancy Act, a California Practice Privilege holder cannot provide public accountancy services in California from any office located in this state, except as an employee of a firm registered in this state or in the client's office. The only exception is for those individuals who have an application for California licensure pending Board approval.

***Q: What documentation must I provide for a California Practice Privilege?***

A: You are not required to submit documentation with the California Practice Privilege Notification Form unless you identify a disqualifying condition. If you do identify a disqualifying condition, you must submit additional documents as directed on Attachment 1 of the Notification Form and you may not practice public accountancy in California until you receive notice from the Board that the privilege has been granted.

The Board also has the authority to request documentation from you to verify the information you provide on the Notification Form. You are required to reply to a Board request in a timely manner under Section 5096(e)(5) of the California Accountancy Act, which may extend beyond the expiration of your practice privilege.



***Q: I'm licensed in California and in Texas. My principal place of business is not in California. Can I practice public accountancy in California under practice privilege if my California license is inactive, delinquent, or cancelled?***

A: Yes, you can allow your California CPA license to lapse and practice under a California Practice Privilege as long as you have a valid, current CPA license in another state and meet all requirements to obtain a California Practice Privilege.

You should carefully consider the consequences of allowing your California CPA license to be cancelled. Please review the information in the CPA Licensee Handbook located on the Board's Web site at [www.cba.ca.gov](http://www.cba.ca.gov), or contact the Licensing Unit at [licensinginfo@cba.ca.gov](mailto:licensinginfo@cba.ca.gov) or (916) 561-1701.

***Q: I'm a California CPA and prepare tax returns for a few clients in other states. Do other states require a practice privilege in order to continue to serve these clients?***

A: The requirements to practice public accountancy vary among states. It is your responsibility to comply with the laws and requirements of any jurisdiction in which you practice. It is suggested you contact the relevant state board(s) to determine what is required. Unauthorized practice in another state can be cause for discipline against your California license.

### **Disqualifying Conditions**

***Q: If I report a disqualifying condition on the Notification Form, when will my California Practice Privilege commence and when will it expire?***

A: If you report a disqualifying condition on your Notification Form, you will not be authorized to practice public accountancy in California until the Board notifies you the practice privilege has been approved.

Your California Practice Privilege term still expires one year from the date of submission of the completed Notification Form and is not extended by a delay in your receiving practice rights.

***Q: What happens when the holder of a California Practice Privilege acquires any of the disqualifying conditions listed in Section 32(c) of the California Board of Accountancy Regulations during the term of a holder's California Practice Privilege?***

A: You must cease practicing immediately and may not begin practicing again without prior approval of the Board. You are required to notify the Board through your on-line client account of in writing within 30 days of its occurrence.

Your California Practice Privilege term still expires one year from the date of submission of the completed Notification Form and is not extended by an interruption of your practice rights.

### **Requirements for Signing Attest Reports**

***Q: What experience must I fulfill before I sign an attest report under California Practice Privilege?***

A: You may not sign an attest report unless you have completed 500 hours of experience in attest services as described in Section 5095 of the California Accountancy Act and Section 12.5 of the California Accountancy Regulations.

***Q: What documentation must I provide to be able to sign an attest report in California under the practice privilege?***

A: You are not required to submit any documentation with the California Practice Privilege Notification Form. However, the Board has the authority to request documentation from you and verify any of the information you have submitted on the Notification Form, including whether you have fulfilled the attest experience requirement to sign an attest report in California prior to the issuance of a California Practice Privilege. You are required to reply to a Board request in a timely manner under Section 5096(e)(5) California Accountancy Act, which may extend beyond the expiration of your practice privilege.

### **Servicing of Clients**

***Q: I'm a CPA in another state and do not plan to be in California. I do only one tax return for a California client. Do I need California Practice Privilege?***

A: No, you may prepare tax returns for individuals who are California residents or estate tax returns for the estates of persons who were clients at the time of death so long as you or your firm do not physically enter California to practice public accountancy, do not solicit California clients, and do not assert or imply that you or your firm is licensed or registered to practice public accountancy in California.

***Q: I'm a CPA in another state. One of my clients retired and moved to California. Do I need a practice privilege to continue to prepare that client's tax return?***

A: No, a practice privilege would not be required. Section 5054 of the California Accountancy Act allows for a narrow exception from the practice privilege requirements for the preparation of tax returns for individuals or the estates of individuals who were clients at the time of death.

The exception stipulates that you or your firm must hold a valid and current license, certificate or permit to practice public accountancy in another state and may not physically enter California, solicit any California clients, or assert or imply that you or your firm is licensed or registered to practice public accountancy in California.

**Q: Is there a limit to the number of tax returns that can be prepared under this exception?**

A: No, there is no limit to the number of tax returns that can be prepared.

**Q: I will be performing work in California on an audit engagement on a contract basis for another CPA who is a sole proprietor and is not licensed in California. Who will need to be licensed or obtain a practice privilege?**

A: The non-California CPA responsible for the audit would need to obtain a California Practice Privilege or California CPA license. If you as the contracted individual hold out (identify yourself) as a CPA while performing the work on the audit, you also would need to obtain a California Practice Privilege or California CPA license.

**Q: I am a Utah CPA who prepares state tax returns filed with the California Franchise Tax Board for my Utah resident clients. Do I need a practice privilege after December 31, 2005?**

A: No. However, you would need to obtain a California Practice Privilege or obtain a California CPA license to practice public accountancy as defined in Section 5051 of the California Accountancy Act if you intend to enter California to service clients who reside in California.

**Q: If I need to conduct part of my audit work in California for a client principally based in Florida, do I need to secure a practice privilege under the new requirements?**

A: Yes, in order to physically enter California to practice public accountancy as defined in Section 5051 of the California Accountancy Act you need to obtain a California Practice Privilege or obtain a California CPA license.

If the audit report will be issued under the name of the firm, the firm would need to be registered in California. You can visit the Board's Web site at [www.dca.ca.gov/cba](http://www.dca.ca.gov/cba) to review the firm registration requirements and obtain the application.

**Q: My client's primary business operation is located in California. However, their administrative office is located in Washington. I have been engaged to conduct an audit. All the work will be done in Washington, except for the inventory observation. Do I, as the engagement partner, need to obtain practice privilege?**

A: Yes, if you or any other person physically enters California to practice public accountancy as defined in Section 5051 of the California Accountancy Act, that person is required to obtain a California Practice Privilege or California CPA license. Audits services, including inventory observation, fall within the definition of the practice of public accountancy.

The firm would also need to be registered in California. You can visit the Board's Web site at [www.dca.ca.gov/cba](http://www.dca.ca.gov/cba) to review the firm registration requirements and obtain the application.

***Q: I am an out-of-state CPA who performs peer review for California accountancy firms. Would I be required to obtain a California Practice Privilege?***

A: No, you would not be required to obtain a California Practice Privilege. Performing a peer review for a California accountancy firm is not a service that falls within the definition of the practice of public accountancy contained in Section 5051 of the California Accountancy Act.

### **Safe Harbor Provision**

***Q: When am I required to notify the Board that I'm practicing public accountancy in California under the practice privilege?***

A: Notice is required on or before beginning practice. However, there will be no penalty if the notice is given within five business days of commencing practice. The safe-harbor provision for this short delay in the notice is only effective through December 31, 2007. Because the notification requirements for practice privilege are new, the Board will permit a five-business day safe-harbor period for notification for the first two years. This will allow time for licensees to become familiar with the practice privilege requirements.

If the Notification Form is submitted after practice began in California, even if it is submitted within the five-day safe-harbor period, you will be required to provide a reason why the notice was not submitted prior to the date practice began in California.

### **Firm Licensure in California**

***Q: I work for a CPA firm that is licensed in the State of Maryland. We have an opportunity to do audit work in California. We would be sending one CPA to California to perform the audit work for one week. The audit report will be issued in Maryland under the firm name. Does the CPA who is coming to California need a practice privilege? What type of license does the firm need?***

A: Yes, notice is required to commence practice of public accountancy in California. In order to practice public accountancy as defined in Section 5051 of the California Accountancy Act in California or service clients who reside in California the non-California CPA who is performing the audit work in California will be required to obtain California Practice Privilege or obtain a California CPA license.

In addition, the firm would need to be registered with the California Board of Accountancy. You can visit the Board's Web site as [www.dca.ca.gov/cba](http://www.dca.ca.gov/cba) to review the firm registration requirements and obtain the application.

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